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DUN & BRADSTREET

2015 Trustee Report

In this edition of the Trustee report, we review the updates from this year's March Budget and how these changes might affect your retirement plans.

These changes are wide reaching so we are reviewing the Dun & Bradstreet (UK) Pension Plan (the Plan) Deeds and updating them to improve the options at retirement for all members. These changes could benefit you at retirement, so it's important to keep up to date and regularly review your retirement plan.

The 3-step guide, shown on page 2, can help you take these changes into account when reviewing your plan and tracking how your pension savings are doing against your target.

To find out more about the latest Plan activity, please read the Plan updates on pages 6 and 7.

WHAT'S INSIDE?

Welcome

A MESSAGE FROM THE CHAIRMAN

Welcome to the 2015 Trustee report. Inside, we review recent UK pension changes, what they might mean for your retirement savings and how we all might be affected.

This year the Government launched its new pension guidance website, Pension Wise, aiming to offer free guidance at the point of retirement to defined contribution (DC) members and defined benefit (DB) members with Additional Voluntary Contributions (AVCs). With the changes to pension regulations, it's important that you know what options are available to you. Please take this opportunity to review your retirement plan and see how these changes might affect you.

In addition, you can find this year's investment summary on pages 4 and 5 which provides an in-depth view on the performance of the Plan investments.

Updates on other pension news and changes to the Plan are on pages 6 and 7, where we will tell you about some exciting updates to our Deed. These changes are to make sure that the Plan stays current and our updates are part of our ongoing commitment to improve the Plan for members.

With the changes to retirement options, it's more important than ever to use the 3-step guide for your retirement planning.

We hope you enjoy this edition of the Trustee Report and find the information useful. If you would like to get in touch with us about any of the topics in this newsletter, our contact details are on the back page.

Andy Jermy
Chairman of the Trustee

3-STEP GUIDE

> STEP 1.

Consider your planned retirement age and financial target, bearing in mind that the changes introduced in the Budget could affect how and when you take your savings. Ask yourself how you want to use your money in retirement, and remember to budget for any additional expenses you might have, such as extra travelling.

> STEP 2.

Keep up to date with how you are doing against your target. Check your benefit statement(s) for an update on your savings and don't forget to check up on old pensions you have contributed to. Useful contact information can be found on the back page.

> STEP 3.

Grow your retirement savings to reach your target. Review investment performance to check how your retirement savings are doing. Read page 4 if you're a DB member, page 5 if you're a DC member.
See your benefit statement(s) to check your pension savings, and our investment market update on page 4 for an overview of the previous year's returns.

Budget updates

Last year we gave you an overview of the changes to pension legislation from the Budget, introduced in April 2014. Since then there have been further updates, effective from April 2015. Below we recap the changes that have come into effect since March 2014 and how they could affect you.

Increased flexibility for DC savings

Following the legislation changes, you now have several options for how you take your retirement savings. Not all of these options are currently available through the Plan, so please contact us using the details on the back page if you have any questions.

Whereas previously DC members and DB members with AVC savings usually had to, at least in part, buy an annuity with these savings, you now have the option of:

1 TAKING YOUR RETIREMENT SAVINGS AS CASH.
From age 55 you can choose to take all your AVCs or DC savings as a cash lump sum at retirement; 25% of this would be tax free with any remainder subject to tax at your marginal rate. Please note, if you take a significant sum of taxed cash at retirement, you may find that it could push you into a higher tax bracket.

2 ACCESSING YOUR RETIREMENT SAVINGS FLEXIBLY.
This is sometimes referred to as 'income drawdown'. If you do not want to take your AVCs or DC savings in a cash lump sum you can access these flexibly, drawing down cash as and when you need it or in regular instalments. This enables the remaining savings to stay invested. Friends Life, the DC administrator, plans to introduce a product before the end of the year, to allow DC members to use flexible drawdown. But in the meantime if you want to use flexible drawdown, you will need to transfer your savings out of the Plan.

3 PURCHASING AN ANNUITY.
You will still be able to buy an annuity (pension), including the option of taking a portion of your AVCs or DC savings as tax-free cash (subject to HMRC limits).

Other changes include:

- **Guidance at retirement.** If you have AVCs or DC savings in the Plan, you will be offered free and impartial guidance at the point of retirement by the Government's new service, Pension Wise.

- **Reduced allowances if you access your savings.** If you access your savings as taxed cash or drawdown and continue to contribute to a pension plan, your Annual Allowance will reduce from £40,000 to £10,000. Anything you contribute over £10,000 will be taxed at your marginal rate.

WHAT DOES THIS MEAN FOR YOU?

It is important to consider how the Budget changes might affect your retirement plans.

The increase in pension age affects all members. Currently the minimum pension age is 55 but this will increase to 57 in 2028.

You can find out your expected State Pension age using the Government's online calculator at **www.gov.uk/calculate-state-pension**.

FOR DB MEMBERS

Unless you have AVCs, most of the changes will not affect you. However, you can request to transfer your benefits to a DC arrangement if you want to take advantage of the flexibilities. You could be required to take face-to-face independent financial advice as your DB benefit is a valuable asset. You can find an adviser local to you at **www.unbiased.co.uk**.

FOR DC MEMBERS

The changes could affect how you plan for your retirement. The new options at retirement mean you have much more freedom over how you take your retirement savings. This overview is a summary of the changes and does not take into account any specific provisions under the Plan rules.

PENSION WISE

Members with DC savings will be offered financial information at retirement to make sure they are aware of their retirement options.

Pension Wise is a Government-led information service offered to those over the age of 50 to help you make the most of the new pension freedoms. After age 50, you are able to book a face-to-face or telephone consultation to discuss your next steps and options for your pension pot.

You can find out more about Pension Wise at **www.pensionwise.gov.uk**.

The BIG picture:

Defined benefit (DB)

It has been a very strong year for the DB Section of the Plan. At 31 March 2014, the value of the Plan was £136.8m, and this increased to £171.8m by 31 March 2015, increasing by £35m over the last 12 months. A significant fall in bond yields was the main factor driving an increase in the value of the Plan's liability-matching assets. Strong equity returns and the Company's contributions were also instrumental in the increase in the Plan's assets.

DB investments

As mentioned in last year's report, following a review of the investment managers the Trustee restructured the Plan's bond portfolio and introduced a Liability Driven Investment (LDI) portfolio. The Plan's bond investment manager, Rogge, was also replaced by BlackRock LDI as the Plan's new bond investment manager. Those changes were implemented during 2014 and from July 2015 BlackRock now manages the Plan's bond portfolio. Following the termination of Rogge, the Trustee invested in BlackRock's core plus global bond fund to maintain the credit exposure of the Plan.

The Plan continues to be invested in two Diversified Growth Funds (DGFs) to spread investment risk across different types of asset classes.

The Plan's asset value increased significantly during the last year. Much of this growth was driven by the switch to liability-matching assets. Bond yields fell significantly, so the bond prices increased. This also affected the Plan's liabilities, increasing them and adversely impacting the funding shortfall slightly. This was offset by strong performance of the return-seeking and LDI portfolio. The table below shows the investment performance in the 12 months to 31 March 2015 and over the last three years.

Period to 31 March 2015	Plan (% pa)	Benchmark (% pa)
1 year	25.4	19.6
3 years	13.0	10.2

Source: State Street

Market review summary – year ending 5 April 2015

The majority of asset classes produced positive performance over the 12 months, other than the notable exceptions of crude oil and commodities as a whole. Below we look at some of the major events that affected the global economy over the year.

Bond yields fell steadily as investors pushed back their expectations for central bank interest rate rises due to long-term growth and inflation concerns.

September 2014 saw market turmoil, causing meaningful losses across credit, equities and commodities. Two key reasons for the turmoil were global growth concerns (particularly in Germany and therefore the Eurozone as a whole) and monetary policy shifts. However, it appears as though markets have rallied so far in 2015, having been buoyed by better than expected economic data in many developed countries. This was particularly the case in the US.

Foreign exchange markets have been characterised by significant US dollar strength over the 12 months, which was a direct result of a strengthening US economy but also supported by a fall in oil prices. In addition, the expectations of the Federal Reserve increasing the US interest rate also contributed to the strengthening of the US dollar over 2014.

Defined contribution (DC)

Announcing a small name change

To improve consistency, the names of the two lifestyle strategies have been changed:

What was the...	Is now called the...
Diversified Lifestyle Option	Diversified Lifestyle Investment Programme
World Equity Lifestyle Option	World Equity Lifestyle Investment Programme

The investment strategies remain the same.

Cap on investment charges

In April 2015, a cap on the charges that can be deducted from a DC pension scheme's 'default' investment option was introduced by the Government. The default is the investment option into which members are initially invested when first joining a DC pension scheme and for the Plan is the Diversified Lifestyle Investment Programme (DLIP). The cap has been set at 0.75% per annum so for every £1,000 invested, the maximum charge that can be deducted each year is £7.50.

To comply with the cap, a change was made to the underlying investment strategy of the DLIP, full details of which were set out in a communication issued earlier in the year. Further information can also be found in the Investment Fund Information Guide on D&B Net.

Whilst on the face of it, the introduction of the charge cap is good news for members, the change to the DLIP means that the Trustee's original objective for the DLIP has also changed. It is therefore the Trustee's intention to review the DLIP again later in the year.

INVESTMENT FUND PERFORMANCE

If you're interested in how the investment funds are performing, the individual fund fact sheets have up-to-date performance information as well as more detailed information on each of the funds. These can be accessed through the Friends Life member portal.

GUIDANCE ON THE RUNNING OF DC PENSION SCHEMES – HOW DOES THE PLAN MEASURE UP?

For DC schemes to be successful, it is vital that those running them ensure they are appropriate, well governed and deliver good member outcomes.

As highlighted in last year's report, to assist trustees in achieving these goals, the Pensions Regulator has published new principles and guidelines covering the governance and administration of DC schemes, including 31 'quality features' that it expects to be present in all well run DC schemes.

The guidance covers key areas such as risk management and investment monitoring, efficient administration and quality of communications.

The Trustee has undertaken an in-depth review of the DC Section to assess how it measures up against the guidance. We will be announcing the results in next year's Annual Report and Accounts and, where needed, we will make adjustments. As always, we continue to review our processes to make sure we are offering the best service possible.

Active members: are you contributing enough?

Whilst you should always consider your own situation, generally speaking, the more you contribute and the sooner you start, the bigger your retirement savings might be. And remember, following the changes announced in last year's Budget, you now have more options when you reach retirement, making DC retirement savings even more attractive. Also, by saving through the Plan, you are likely to receive tax relief and National Insurance savings, making it a cost-efficient way to save for retirement.

The Government has set certain limits on the level of pension contributions that will receive tax relief (known as the Annual Allowance and the Lifetime Allowance) and details of these can be found on page 34 of the guide to the DC Section. Further information about the limits can be found on page 6 of this report.

If you are considering increasing the amount you pay, or making an extra one-off contribution, you should seek independent financial advice to check whether you might be affected.

If you are an active member of the Plan and contributing less than 5% of your Pensionable Pay, then you are missing out on contributions from the Company. For every 1% extra you pay, the Company will match your extra contribution up to a maximum contribution of 7% from the Company. You can change how much you contribute at any time. Please contact Friends Life if you would like to make a change. Contact details are on the back page.

News and updates

In keeping with the increased UK pension flexibilities we are updating our Plan Deed to include some improvements. We have:

- **Updated the definition of Pensionable salary** so that this no longer includes the lower earnings limit. This update is expected to increase the rate of accrual for both DC and DB Section members, meaning members will build up more savings to take in retirement.
- **Extended the provision of Spouse's rights** to include both civil partners and same-sex spouses. Following the change in legislation to allow same-sex marriage in the UK, we now provide same-sex spouse death benefits and other spouse's rights.
- **Amended the Salary sacrifice scheme to cover contributions made as AVCs.** Those paying AVCs will benefit from the same tax reductions on their AVCs as DC contributions currently receive. These tax benefits will make choosing to pay AVCs an even better choice in saving for retirement.
- **Increased the life cover for Life Assurance Only Members** from two times to four times salary.

We plan to:

- **Update the rules to allow trivial commutation payments** to deferred or pensioner members.
- **Amend the transfer out rules.** DB and DC members will be able to request a cash transfer value up to retirement. Previously transfers were not permitted a year prior to Normal Retirement Age. Approval of transfers will remain at the Trustee's discretion.

In addition we are updating our Governance statement as part of our DC code of practice review to reflect the updated pension environment, including amending our rules regarding taking benefits as a cash lump sum and cash drawdown. This was part of our wider review of the Plan Governance in light of the legislation surrounding pension governance, and as part of our ongoing commitment to follow industry best practice.

THE ANNUAL ALLOWANCE (AA)

The AA is the maximum amount you can contribute tax free to your pension arrangements each year. Any amount above this will be taxed at your marginal rate. For the 2015/16 tax year this is unchanged at £40,000 per year. From April 2016 the AA for high earners (over £150,000 per year) will reduce incrementally to £10,000.

If you take DC benefits flexibly under the new pension rules, the amount you can contribute to DC savings each year is reduced from £40,000 to £10,000.

DON'T GET STUNG

With the change in pension regulations, pension scams are on the rise. Many scams will offer you early release of your retirement savings, but this is not possible unless you are over 55 or in ill health.

Scams will often involve cold calls, emails, website pop-ups or text messages and will refer to 'legal loopholes'.

These scams can often involve transferring your pension savings overseas and can result in you losing all your retirement savings through early release fines, tax bills and risky investments.

Find out more about pension scams at **www.thepensionsregulator.gov.uk/pension-scams.aspx**

TAX AND ALLOWANCE CHANGES 2015/16

The tax bands for 2015/16 have changed, with a larger standard personal allowance of £10,600. Your personal tax rate will depend on your circumstances and will include any other sources of income you may have, and there may be further changes in the income allowance for your tax brackets. The table below shows the change. Find out more information about tax, the announcements regarding future tax limit changes announced in July 2015, and your allowances at **www.gov.uk/income-tax-rates**.

TAX BAND CHANGES

	2014/15	2015/16
Personal Allowance	£10,000	£10,600
Basic Rate (20%) income band	£10,000 – £41,865	£10,600 – £42,385
Higher Rate (40%) income band	£41,866 – £150,000	£42,386 – £150,000

LIFETIME ALLOWANCE (LTA) REDUCTION

The value of pension benefits you can build up tax free during your lifetime, the LTA, includes all your pension savings, not just your savings in the Plan. This limit is currently unchanged at £1.25m for the 2015/16 tax year, but from April 2016 this will reduce to £1m.

Your questions answered

HOW IS MY PENSION PAID FOR?

The Company and members pay contributions to the Plan, expressed as a multiple of members' contributions.

For DB Section members these contributions are held in a common fund, not in separate funds for each individual member, and are invested by the Trustee. The funds built up in the Plan through these contributions and investment growth are used to provide members' benefits.

In contrast, a DC Section member has a designated investment account in the DC Section. This account builds individually for each member and the balance can be used at retirement to take cash or purchase a pension.

HOW IS THE PLAN'S FINANCIAL SECURITY MEASURED?

At least every three years, the Trustee asks the Plan Actuary to carry out a thorough examination of the Plan's financial health. For the 'ongoing' valuation, the Actuary looks at the value of the Plan's assets and the liabilities that have built up and compares the two. If the Plan has lower assets than liabilities, it is said to have a 'shortfall' or 'deficit'. If the assets exceed the liabilities there is a 'surplus'.

HOW ARE SURPLUSES AND SHORTFALLS DEALT WITH?

If the Plan's ongoing valuation brings out a deficit, the Company must agree with the Trustee a 'Recovery Plan' for restoring full funding.

If instead a surplus is brought out, the Company would typically contribute to the Plan at a lower rate than required to pay for benefits currently building up, until such time as the surplus has been run off.

WHAT CONTRIBUTIONS ARE PAID INTO THE PLAN EACH YEAR BY THE COMPANY?

Following each actuarial valuation, the level of Company contributions that should be paid to the Plan in order to meet the benefits being built up by members are agreed between the Trustee and the Company. These contributions are recorded in a 'Schedule of Contributions'. This is reviewed and updated at least at each actuarial valuation.

When there is a surplus in the Plan payments from the Company could reduce or cease. We can confirm there have not been any payments to the Company out of the Plan assets in the last 12 months.

CAN I LEAVE THE PLAN OR TAKE MY BENEFITS BEFORE I AM DUE TO RETIRE?

Normal Retirement Age (NRA) for active DB Scheme members is age 65.

If you are an active DB member, you can leave the Plan before you reach retirement and your pension will be based on your Final Salary and CARE pensions built up to your date of leaving and become a deferred member. You can leave these benefits in the Plan, where they will revalue to the Plan NRA, or you can request to transfer them to an external pension arrangement.

Your transfer value would be assessed as the value of your deferred benefits. If you are thinking of leaving the Plan or transferring out your deferred benefits you should speak to an Independent Financial Adviser (IFA) before taking any action to ensure that you don't lose out. Details of how to find an IFA near you can be found on the back page.

Some historic elements of pension have an NRA of age 60. You can, with Company consent, opt to bring your benefits into payment before your NRA but they would then be reduced to reflect that they are paid earlier, and for longer, than the Plan's standard provisions.

HOW IS THE PLAN INVESTED?

The Trustee sets the Plan's investment strategy with the help of their professional advisers. As at 5 April 2015, the Plan was pursuing an investment strategy to achieve the following DB investment benchmark portfolio:

World Equities (75% hedged)	13.5%
Emerging Market equities	1.5%
Diversified growth funds	45%
LDI portfolio	30%
Global Credit*	10%

GREEK DEBT CRISIS

At the time of this newsletter going to print, the outcome of the bailout in Greece, and their position in the Eurozone, was uncertain. Uncertainty in the Eurozone can lead to volatile markets, and as such there may be unknown impacts on the investment performance of the Plan's assets.

KEEPING US IN THE LOOP

Earlier in the year, we sent you a request to verify your personal details. These exercises are important for security; we want to make sure we have your current address and details. If you haven't yet responded, we will be sending you a new letter over the next month. Please take the time to confirm your details so we can continue to run the Plan efficiently.

* This has been updated to reflect the move from Rogge UK credit to BlackRock Global credit. The Trustee is also introducing a derivative strategy to manage investment risk by reducing the funding level's sensitivity to changes in interest rates.

Contact details

If you are a DB or Old Money Purchase member:

Mercer
Four Brindleyplace
Birmingham
B1 2JQ

Telephone: 0121 733 4155 or 0121 733 4037

Email: ADMDMBPensions.SOL@mercer.com

If you are a new DC member:

Friends Life Corporate Customer Services
PO Box 1550
Salisbury
Wiltshire
SP1 2TW

Telephone: 0345 602 9221

Email: DunandBradstreet@friendslife.co.uk

For DC members who would like advice on their retirement options, there is a new advice centre:

Friends Life Retirement Information Centre
PO Box 2338
Salisbury
SP2 2LU

Telephone: 0800 023 4298

Need more information?

If you need more information about the Plan, you can also contact the Chairman of the Trustee and the Secretary to the Trustee. Their contacts details are:

Chairman of the Trustee: Andy Jermy

Email: jermya@dnb.com

Secretary to the Trustee: Gary Kent

Email: secretary@dnbpensionplan.co.uk

COMMUNICATING MORE EFFICIENTLY

We would like to use electronic communication in the future, which would allow us to be more environmentally friendly and cost efficient.

If you are happy to receive some Plan communications by email, please send your *personal email* to **secretary@dnbpensionplan.co.uk** along with your name and address for verification.

We ask for a personal email address so we don't lose touch with you even if you stop working for the Company.

TAKING SOME ADVICE

If you think you need advice or support with your retirement planning, you should consider speaking to an Independant Financial Adviser (IFA). You can find an adviser local to you at **www.moneyadviceservice.org.uk/en/categories/financial-help-and-advice**.

An IFA can help you plan your financial future. They will talk to you to understand your circumstances and provide the suitable advice for your own situation. IFAs can advise on many financial topics including: pensions, saving and investments, tax and mortgages and loans. Remember, an IFA is likely to charge for their services.

RETIREMENT CALL CENTRE AND CHANGES TO FRIENDS LIFE

Friends Life has opened a new retirement call centre for DC members who would like information on their options at retirement. You can find the new contact details for the retirement call centre on the left.

In addition, Friends Life was acquired by Aviva earlier this year. This will not affect the administration of the Plan at this time.

Looking after your data

Some personal data for Plan members (such as date of birth and salary) is required for the running of the Plan, including paying out the right benefits. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as "data controllers" under the Data Protection Act). Data controllers would include the Plan Trustee, and, in certain circumstances, professional advisers to the Plan. These may include the Plan Actuary and Towers Watson, who have provided further details: **www.towerswatson.com/personal-data**.